

Name: _____

County: _____

Date: _____

PERSONAL PROPERTY VALUATION AND AUDIT
SELF-STUDY TRAINING SESSION

REVIEW QUESTIONS

Chapter 6

1. Personal property leased on the lien date is assessable unless exempt. Personal property held for lease on the lien date is inventory.

☐ True
☐ False

2. Which of the following is true regarding accessibility of leased equipment or property intended for lease?

☐ Property is assessable if it has been used by the owner prior to the lien date, even though "held for lease" on the lien date.
☐ Property actually leased or rented on the lien date is assessable.
☐ Property is assessable if it is intended to be used by the lessor after being leased (or during intervals between leases), even though "held for lease" on the lien date.
☐ Property is assessable if it is being used by the owner for purposes not directly associated with the prospective sale or lease of that property.
☐ All of the above

3. Under section 405, the assessor may assess leased property to either the lessor or the lessee, or both, whether or not there is a private agreement between the parties to the lease.

☐ True
☐ False

4. Property under a true lease is usually assessed only to the _____ and property under conditional sales contract only to the _____.

5. Which of the following is not true regarding property tax exemption?

- ☐ Tangible personal property owned by banks and financial corporations (commonly referred to as financial institution or financials) is exempt from property taxation by the in-lieu tax provisions.
- ☐ The in-lieu exemption does not apply to banks and financial corporations whose principal activities consist of leasing tangible personal property.
- ☐ Personal property leased to an exempt bank or financial is not assessable to the owner/lessor.
- ☐ Personal property owned by insurance companies is exempt from property taxation.

6. Several factors have been identified by the court(s) under the *essential indicia of ownership* test as evidence that the government holds title. Briefly describe three examples when the government is a lessee.

1. _____

2. _____

3. _____

7. Who is the assessee in the following situations? Fill in the blanks.

LESSOR	LESSEE	OWNER (TITLE WITH)	TYPE OF PROPERTY	ASSESSEE?
Private Party	Government	Lessor	Personal Property	
Private Party	Government	Lessee	Personal Property	
Private Party	Government	Lessee	Fixtures (and other real property)	
Government	Private Party	Lessor	Personal Property	
Government	Private Party	Lessor	Fixtures (and other real property)	
Government	Private party	Lessee	Fixtures (and other real property)	

8. An extended-term lease is defined as _____
_____.

9. Agreement under which an owner gives up possession and use of his/her property for valuable consideration and for a definite term and at the end of the term, the owner has the absolute right to retake, control, or convey the property is called _____.
10. Of the following, which is not true of a conditional sales contract?
- ☐ Lease is for a fixed period with a nominal option payment (i.e., \$1) required transferring title.
 - ☐ Lease is cancelable on a monthly or annual basis.
 - ☐ Present value of contractual rental payments is equal to or greater than the current purchase price.
 - ☐ The contract transfers all ownership responsibility, with the exception of title to the lessee.
11. Under extended-term leases, the _____ is considered to be the consumer of the property. In short-term leases or rental, the _____ is considered to be the owner of the property.
12. The cost approach is an appropriate approach to value supply and construction-in-process.
- ☐ True
 - ☐ False
13. Briefly describe the differences between supply versus inventory.
- _____
- _____
- _____
- _____
14. If the price of computer equipment is not segregated, or not able to be segregated, between taxable and nontaxable property and programs, the total purchase price may be used as an indicator of taxable value.
- ☐ True
 - ☐ False

15. Reverse trending is a method of recognizing, and removing from the final valuation conclusion, assets that are still recorded on the assessee's books, but no longer exist, and have been replaced. Briefly describe the steps in the reverse trending process.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

16. Vehicles exempt from DMV registration and license fee are subject to assessment by the assessor. They are considered _____ or _____ and are specifically exempted from DMV registration under Vehicle Code section 4000-4020.

17. Equipment that is permanently attached to a licensed vehicle is not subject to local property taxation because it is considered part of the vehicle.

☐ True
☐ False

18. Which of the following statements is not true?

☐ Oak barrels not used in the manufacturing process but held for sale in the ordinary course of business are considered business inventory.

☐ Racehorses are not taxable as personal property.

☐ Taxable animals include those used in riding stables, pack station operations, or rodeos, stallions or broodmares held for breeding, and registered or show horses

even when located on premises which belong to a person other than the property owner.

- ☐ Animals involved in production of food and fiber, such as dairy cattle and bulls, beef cattle and bulls, draft animals, swine, sheep, and poultry, and animals held for sale or lease on the lien date are exempt from taxation as inventory.

19. Possessory interest is applicable to real property, including property that was formerly personal property but is now classified as fixtures. The value of the taxable possessory interest is based on the value of the right to possess or use publicly owned real property.

☐ True

☐ False

20. Match the following definitions:

_____ Allows a reorganization of a business to promote and facilitate rehabilitation or restructuring its finances in order to continue operations and avoid liquidation.

a. Chapter 7

_____ A complete cessation of business and almost complete liquidation of assets of the petitioner to provide for the satisfaction of creditor claims.

b. Chapter 11

_____ Allows individual debtors the opportunity to develop a new repayment program for financial obligations.

c. Chapter 13

Chapter 7

21. Which of the following is true of property statements?

☐ Property statements are declarations of assessable property signed under penalty of perjury.

☐ The property statement shall show all information as of 12:01 a.m. on the lien date.

☐ The statement shall show "all taxable property owned, claimed, possessed, controlled, or managed by the person filing it and required to be reported thereon."

☐ The property statement shall also show the situs of the property and a description of the property in the detail required.

☐ All of the above.

22. Section 441(a) requires that every person who owns taxable personal property (other than a manufactured home) in the county that costs _____ or more must file a property statement.
23. The assessee is subject to a _____ percent penalty for failure to file a property statement timely.
24. Which of the following is not true of property transfers?
- ☐ If a business or property transfer is processed through escrow, a statement of bulk sale or tax clearance from the county tax collector may be required.
 - ☐ Property transfer information is received by the county either from the seller or from the escrow company. There will be no other source to get this information.
 - ☐ If a sale does not go through escrow, information regarding the sale may be provided by the seller to prevent future tax liability.
25. Match the following definitions:
- | | |
|--|-----------------|
| _____ A technique that involves physically viewing every business location. | a. Field Canvas |
| _____ A visit to only those where information or partial information is already available. | b. Field Checks |
26. What are Forms 600B and 600R?
- _____
- _____
- _____
- _____
27. Which one of the following is not a source of information to assessors for discovering a new business?
- ☐ Building permits
 - ☐ Opening a new bank account
 - ☐ Certificates of occupancy
 - ☐ Documents filed with the Secretary of State
28. Pursuant to section 441, which of the following statements is not true regarding the requirements of filing property statements?

- ☐ Each person owning taxable personal property having an aggregate cost of \$100,000 or more for any assessment year shall file a signed property statement with the assessor.
 - ☐ Failure of the assessor to request or secure the property statement does not render any assessment invalid.
 - ☐ If the assessee does not file the property statement by May 7, the assessor has no other way to find the value and cannot assess the assessee for that year.
 - ☐ Every person owning personal property that is not required by statute to file a property statement shall, upon request of the assessor, file a signed property statement.
29. When a property statement is filed timely in duplicate, the assessee may request that the assessor provide the full value computed by the assessor for each category. The assessor does not have any obligation to comply.
- ☐ True
 - ☐ False
30. Which of the following accounts are not appropriate for direct billing?
- ☐ Businesses having tangible personal property costing less than \$100,000
 - ☐ Small barbershops
 - ☐ New businesses, regardless of value
 - ☐ Small retail store
31. Which of the following is required for a valid assessment?
- ☐ The property must be assessed in the appropriate county, city, and district.
 - ☐ The assessee is required to report the physical address of the property or the assessor's parcel number on which it is located.
 - ☐ The property statement shall show all taxable property owned, claimed, possessed, controlled, or managed by the person filing it.
 - ☐ All of the above
32. Facsimiles or copies of original signatures are not acceptable as valid signatures. A copy of the original may be accepted, but the original document and signature should be provided timely to constitute a valid filing since facsimiles and copies merely represent the likeness of the original. A property statement that is unsigned, or signed by an unauthorized agent, does not constitute a valid filing. Such a statement is incomplete and invalid and should be returned to the assessee.

- ☐ True
- ☐ False

33. Which of the following is a source that may be used to discover vessels located in the county on the lien date?

- ☐ Records from the DMV, marinas, and other types of the boat storage facilities
- ☐ Certificates of Documentation
- ☐ Referrals from other counties
- ☐ Field canvassing
- ☐ All of the above

34. The lien date regarding the assessment of racehorses is the same as other types of personal property, January 1. However, unlike other types of property, the tax becomes delinquent at 5:00 p.m., February 15, of the same calendar year.

- ☐ True
- ☐ False

Chapter 8

35. Section 469 requires an audit at least once in each four-year period for assessee's owning or possessing tangible business personal property and fixtures with a full cash value of \$ _____.

36. Briefly describe the standards of field work for an auditor.

37. Mandatory audit is defined as _____

38. The auditor is allowed to "sample" one year in a four-year audit period. If no material discrepancy or irregularity is found, there is no requirement to audit the remaining years.

If a discrepancy is found, the auditor has a choice to either audit the remaining years or just process the audit finding for sample year.

- ☐ True
- ☐ False

39. The assessor is not prohibited from auditing any assessee during any period allowed under the statute of limitations. The assessor may audit a taxpayer every year if it is necessary.

- ☐ True
- ☐ False

40. In most cases, audits must be completed within _____ years after July 1 of the assessment year the property escaped assessment, because roll changes resulting from audits are subject to the statute of limitations pursuant to section 532.

41. Property owned by an exempt organization is assessable, even though there may not be a net taxable value.

- ☐ True
- ☐ False

42. By using the _____ program, the assessor's staff in the county where the assessee is headquartered gathers information for the audit for all participating counties, but makes no value judgment.

43. Briefly summarize the information that should be reviewed by an auditor prior to an audit appointment.

44. Which of the following is not one of the basic records that should be available to an auditor on the audit date?
- ☐ Independent audit report
 - ☐ Financial statements
 - ☐ Sales tax audit records
 - ☐ Articles of incorporation and amendments
 - ☐ Bank account statements
45. What are the three main tasks that an auditor should accomplish at the audit appointment?
1. _____
2. _____
3. _____
46. The _____ system of accounting gives recognition to income items during the fiscal period in which they were earned although the cash may not have been received. Expenses are recorded when incurred even though the actual payment has not been made.
47. Which one of the following questions pertain to a company's system of internal control?
- ☐ How are scrapped or sold assets treated?
 - ☐ Are all the assets in the county on the lien date?
 - ☐ Is there reasonable accounting control over assets, liabilities, revenues, and expenses, and sound practices followed by quality personnel in the performance of duties and functions in each department?
 - ☐ What is the minimum value for capitalizing assets?
48. An auditor will find the full economic property costs and years of acquisitions for machinery and equipment in the general ledger fixed asset account or subsidiary ledgers, and on the depreciation schedules or fixed asset listing.
- ☐ True
 - ☐ False

49. Briefly describe the purpose of sampling to confirm accuracy.

50. The audit of supplies consists primarily of ensuring that supplies on hand on the lien date have been properly reported, which means that exempt inventory items were excluded and all assessable supply items were included.

☐ True

☐ False

51. Which of the following is not a principal source of obtaining information for leased equipment?

☐ Lease and rental expense accounts, accounts payable, and notes payable

☐ Lease contracts

☐ Accounts receivable and note receivable

☐ Discussion with the assessee and/or physical inspection of the premises

52. Which of the following items may aid the auditor in the discovery and assessment of loaned equipment?

☐ Memorandum entries

☐ Contract or other written agreement(s) between the owner and the possessor

☐ Royalty payments for items produced on loaned equipment

☐ Capitalized installation charges

☐ All of the above

53. Property owned by the government and used by a taxable entity may be subject to a possessory interest assessment only, but the property remains an item under audit.

☐ True

☐ False

54. Briefly describe two primary sources for discovering and obtaining information regarding government-owned property and contracts with government.

1. _____

2. _____

55. Only fixtures and other real property, owned by the government but possessed by a taxable entity, are subject to assessment. With one exception, possessory interests in personal property are not taxable.

☐ True

☐ False

56. A total property audit involves the verification of considerably more information than a typical audit that focuses primarily on equipment and supplies. Briefly describe three additional records other than basic information that the auditor needs to focus on for a total property audit.

1. _____

2. _____

3. _____

57. Which one of the following must be verified by an auditor when auditing leasing companies?

☐ That all equipment owned by the company located in the county has been reported.

☐ That the correct location of the equipment has been furnished on the property statement.

☐ That the correct cost and sales information has been reported by the lessor.

☐ That the costs reported correspond with the appropriate level of trade at which the equipment is situated on the lien date.

☐ All of the above

58. Which of the following is not one of the items that may be required to gather the necessary information for an audit of a leasing company.

- ☐ Lease contracts
- ☐ Audit referrals
- ☐ Retail price lists
- ☐ Profit and loss statements
- ☐ Control records

59. Which of the following is included in the total cost of replacement or reproduction of new leased equipment?

- ☐ Purchase price of equipment
- ☐ Installation and set-up costs
- ☐ Machinery foundation costs
- ☐ Freight
- ☐ Trade level adjustment where applicable
- ☐ All of the above

60. Briefly describe two benefits of taking a tour of the property being audited (appraised).

1. _____

2. _____

61. The audited value is compared to the original assessed (enrolled) value. The difference determines the _____ and the _____ or _____ for that year.

62. Minimum contents of an audit should include.

1. _____
2. _____
3. _____
4. _____
5. _____

63. Audit findings should include:
- ☐ An explanation of differences found.
 - ☐ Problems identified
 - ☐ Net results, if any
 - ☐ All of the above
64. If any individual item was underassessed or not assessed, the audit findings must disclose that escape even in situations when the escape is offset by an overassessment of other property.
- ☐ True
 - ☐ False
65. Property is subject to an escape assessment even if the audit discloses an overassessment of another portion of an item of the property, and the amount of the underassessment could be offset completely by the amount of overassessment.
- ☐ True
 - ☐ False
66. Where an escape assessment applies, a *Notice of Proposed Escape Assessment* must be sent at least _____ days prior to entry on the roll as required by section 531.8.
67. After having considered the results of the audit, including discussions with and written comments of the taxpayers, the assessor shall inform the taxpayer of the conclusions as to the value of the property and may:
- ☐ Cause an escape assessment to be made
 - ☐ Make an assessment subject to penalty
 - ☐ Inform the taxpayer of his/her right to a cancellation of the assessment or a refund of taxes
 - ☐ Depending on the audit results, any of the above
68. The law requires that the auditor-appraiser explain the audit findings and conclusions to the assessee and/or his or her agent.
- ☐ True
 - ☐ False

69. With respect to the Property Tax Rule 305.3, what does "site" mean?

70. In situations when the audit (mandatory or nonmandatory) discloses property subject to an escape assessment, the assessee can only file an assessment appeal (on the original assessment of all property of the assessee at the location) for the year that the property escaped assessment, not all years covered in the audit period (unless property escaped assessment in all years).

☐ True

☐ False

71. If the results of an audit disclose property subject to an escape assessment, an application must be filed with the clerk of the board within _____ days of the date the notice is mailed to the assessee.

72. The mailing date of the escape assessment notice is the date printed on the notice or the postmark on the notice, whichever is later.

☐ True

☐ False

73. If an escape assessment is enrolled by counties of the _____ or counties that have _____, the notice is the tax bill.

Chapter 9

74. An _____ is an assessment made after the completion of the regular assessment roll, as an addition to that roll, regardless of the reason.

The _____ is complete after the assessor has certified the completion of the local roll prepared pursuant to section 601.

75. The assessor is required to make an escape assessment if:
- ☐ The assessee does not file a property statement and the result is no assessment
 - ☐ The assessor discovers an underassessment of property
 - ☐ The assessor discovers that an exemption was granted in error
 - ☐ All of the above
76. When an escape is based on failure to file a property statement (including circumstances where the statement is incomplete when filed and returned to the assessee), the assessor is required to add penalties and interest to the assessment.
- ☐ True
 - ☐ False
77. Based on sections 531.3 and 531.4, when it is discovered that an additional assessment is due to an assessee's failure to report costs accurately, the sections allow for penalties and interest depending in part on the reason for the escape assessment.
- ☐ True
 - ☐ False
78. Briefly describe the following:
- Delinquency date: _____
- _____
- Tax rate: _____
- _____
- Date of enrollment: _____
- _____
79. If a property statement is not filed or was not filed timely in accordance with sections 441 and 463, a _____ percent penalty must be applied to the assessed value.
80. A _____ percent penalty may be applied if the assessor discovers that the assessee or agent willfully concealed information.

81. An escape assessment shall not be enrolled unless the assessor has mailed or delivered a *Notice of Proposed Escape Assessment* at least 10 days prior to the entry of the value on the roll. After an escape assessment is enrolled, section 534 requires that the assessor mail a Board-prescribed notice to the assessee to notify the assessee that the escape assessment was enrolled.
- ☐ True
- ☐ False
82. If, before the expiration of the period for making an escape assessment, the taxpayer and the assessor have agreed in writing to extend the time for making an assessment, correction, or claim for refund, the assessment may be at any time prior to the expiration of the period agreed upon. The period may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon. This agreement in writing is also known as a waiver.
- ☐ True
- ☐ False
83. Which of the following must be included in every *Notice of Proposed Escape Assessment*?
- ☐ Amount of any escape assessment as estimated by the assessor
- ☐ A name and telephone number of a person at the assessor's office who is knowledgeable with respect to the proposed escape assessment and to whom the assessee can voice any concerns
- ☐ A prominent heading stating the statutory title of the notice
- ☐ All of the above
84. Which of the following statements is not true?
- ☐ Errors and omissions not involving the assessor's value judgment must be corrected within four years after making the original assessment.
- ☐ A roll correction is necessary only if it is caused by the assessor and the error resulted in an increase to the original entry on the roll.
- ☐ A roll correction is necessary if a clerical error is caused by the assessor or another county official, whether the error resulted in an increase or a decrease to the original entry on the roll.
- ☐ A roll correction is necessary if a clerical error is caused by an assessee based on a defect of description or other information discovered upon an audit, and the error resulted in an assessment at a higher valuation than would have otherwise been entered on the roll.

85. Briefly describe some of the differences between roll corrections and escape assessments.

86. If a roll correction decreases the amount of taxes because of an error by either the assessee or the assessor, a refund of the overpayment of taxes is possible. It is the _____ duty to deliver the corrected entry to the auditor, who is required by section 4834 to implement correction procedures. The tax collector is required to notify the _____ of the right to file a refund claim.

87. Briefly describe the following:

Roll Correction: _____

Base Year Value Correction: _____

88. Roll correction and base year value correction are identical.

☐ True

☐ False

Chapter 10

89. What is the primary purpose of the Morgan Property Taxpayers' Bill of Rights?

90. The Property Taxpayers' Rights Advocate is appointed by the _____ and serves to review the effectiveness of the Board's property tax programs.

91. Based on sections 408-408.3, both the public at large and assessees have the right to inspect specific types of information in the assessors' records. Which of the following records must be disclosed to the public?

- ☐ The assessment roll and its index
- ☐ Owner's maps and assessors' maps
- ☐ Property characteristic information
- ☐ Claims for exemption (except homeowner's)
- ☐ All of the above

92. Under section 408(e), the assessor shall, upon request of an assessee of the property or his or her designated representative, permit the assessee or representative to inspect or copy all information, documents, and records, including the auditors' narrative.

- ☐ True
- ☐ False

93. Briefly describe the assessee's option after enrollment of an assessment if he/she decides to protest the property tax assessment.

94. When an application for assessment appeal is filed timely regarding an escape assessment resulting from an audit, all property owned for the year of escape by an assessee at the location is open to appeal, including the real property on which the personal property is located.

- ☐ True
- ☐ False